Designing Regional Service Arrangements: An Introduction

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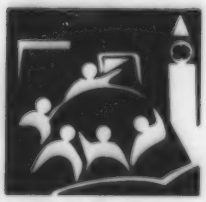
Designing Regional Service Arrangements: An Introduction



Local governments have the flexibility they need to design fair and lasting service arrangements tailored to unique local circumstances. They can maximize the benefits of innovative service arrangements and minimize the potential for future conflicts between partners.

This booklet highlights the service arrangement process for regional district board members and municipal council members. A second booklet, entitled *Regional Service Reviews: An Introduction*, covers the topic of service review. A third is planned, entitled *Regional Service Withdrawal: An Introduction*. To review service arrangements in greater detail, see the *Guide to Regional Service Arrangements and Service Reviews* or Bulletin F.3.2.0, *Regional District Service Establishing Bylaws: Content and Approval Processes* at www.marh.gov.bc.ca on the Internet.

Reasons for a Regional District to Deliver Services

A regional district may be asked by its members to consider delivering public services for many reasons, including:

- broad public benefits (fire protection, public transit, libraries)
- fulfilling regional ambitions (economic development)
- private sector cannot provide service in the area (cable TV)
- services considered by the public to be too important or sensitive for private sector involvement (water distribution)
- economic efficiency or economies of scale (transit)
- local governments share a vision for the service (regional parks)
- benefits from infrastructure other jurisdictions already have in place (sewage treatment)
- collaboration results in better service through economies of scale, less administration, better access to equipment and staff (waste disposal)
- benefits extend beyond single jurisdictions (air quality, recreation)
- benefits outweigh perceived costs, such as tax base changes, loss of control, uneven service levels (water quality).

Designing Service Arrangements

To be successful, service arrangements must be clearly defined, propose clear methods of recovering, allocating and containing costs, and outline a plan for managing the service.

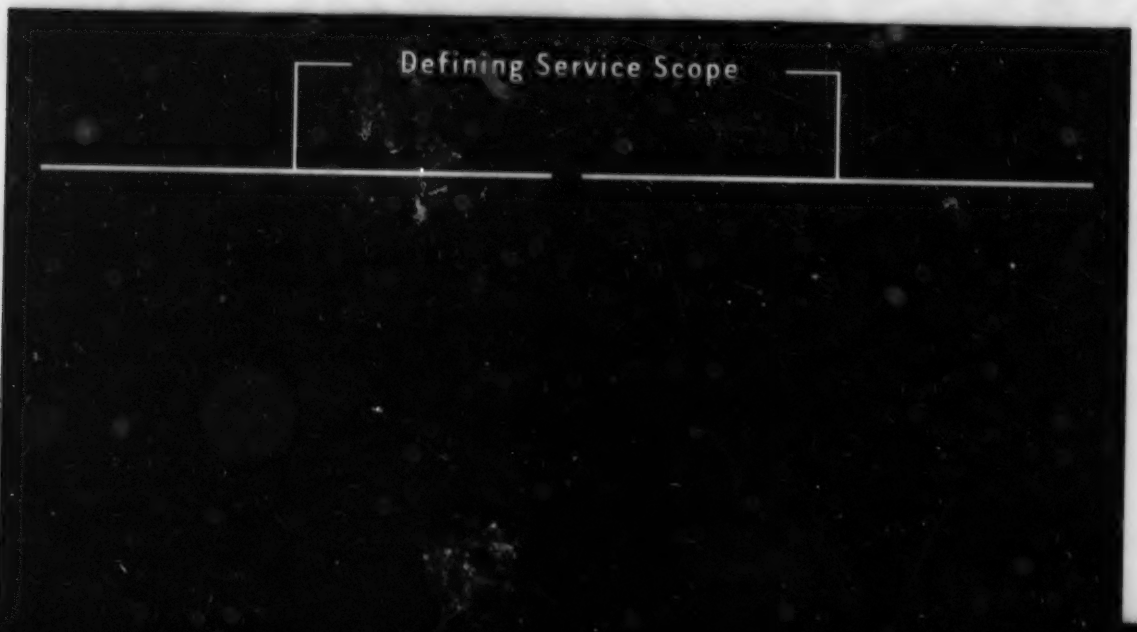
Defining the Service

Carefully defining services ensures that all partners in the service arrangement share the same vision for the service and agree on the contents and limits of that service. The service definition should include information on the:

- scope of the service,
- level of service,
- service area, and
- lifespan of the service.

Scope of Service

In defining the scope of a regional service, a regional district needs to determine whether a broad or narrow scope is preferable. For example, a regional recreation service arrangement could be limited to a single facility or could cover several facilities. It could include or exclude sports programs, cultural facilities and programs, such as museums or theatres. Whatever choice is made, each service partner will need to make compromises to develop a service arrangement that best meets the needs of all members.



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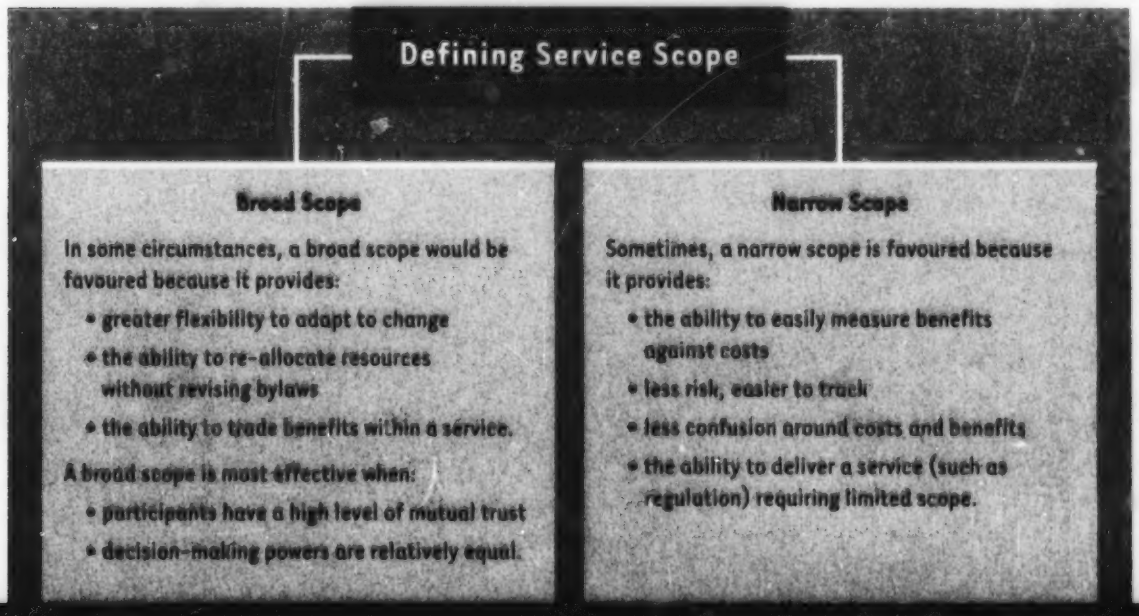

Defining Service Scope
Broad Scope
In some circumstances, a broad scope would be favoured because it provides:
• greater flexibility to adapt to change
• the ability to re-allocate resources without revising bylaws
• the ability to trade benefits within a service.
A broad scope is most effective when:
• participants have a high level of mutual trust
• decision-making powers are relatively equal.
Narrow Scope
Sometimes, a narrow scope is favoured because it provides:
• the ability to easily measure benefits against costs
• less risk, easier to track
• less confusion around costs and benefits
• the ability to deliver a service (such as regulation) requiring limited scope.

Level of Service

Regional districts and municipalities should consider the varying quantities and standards of service each community expects, and how these expectations might differ between jurisdictions or change over time. They should also consider their ability to tailor services to meet expectations. Usually, service levels are best addressed through long-term plans rather than service establishment bylaws because the plans are more flexible.

Service Area

Service areas are the geographic region where the service is provided and across which the service is funded. Ideally, the chosen service area will cover everyone who benefits from the service so that they all help pay for the cost of the services delivered. Where the issue of service area could cause tensions, it may be preferable to define the service scope narrowly.

Requirements of Service Arrangements

Service establishment bylaws must:

- describe the service
- define the boundaries of the service area
- define the areas participating in the service
- indicate the method of cost recovery
- set a requisition limit for the service.

Service Lifespan

While not mandatory, it may be advisable to set a defined lifespan for service delivery. This allows participants the ability to offer services for trial periods and overcomes the hesitation partners might have over becoming involved in an open-ended arrangement. Time limits also build in flexibility to adapt the services to changing regional circumstances.

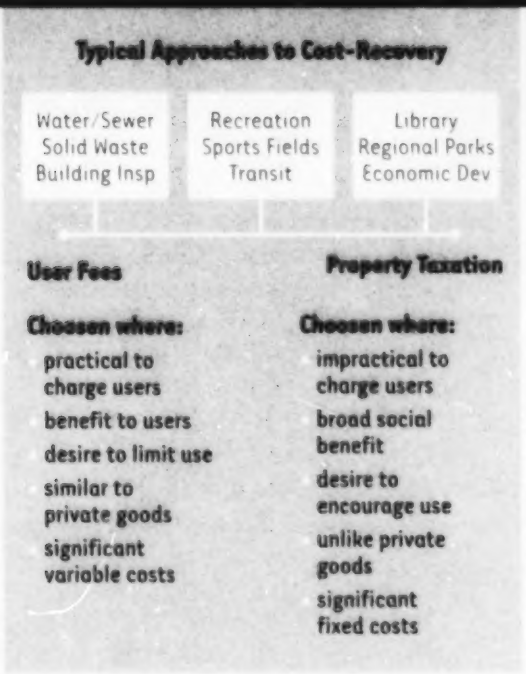
Service Delivery

Services can be delivered by:

- the regional district directly;
- one of the member municipalities;
- an existing third party (e.g. a non-profit society or private sector company);
- a new third party created to deliver the service; or
- a separate corporation wholly-owned by a local government.

There are no 'one-size-fits-all' service delivery methods. Choosing the best service delivery method depends on several factors unique to each regional district and service type, including considerations of:

- efficiency and effectiveness,
- flexibility,
- labour relations, and
- control.



Service Costs

In service establishment bylaws, regional districts must define how the service will be paid for, who will pay for the service, and how costs can be limited.

Cost-Recovery Options

Service establishment bylaws must indicate which cost-recovery method(s) will be used to fund the service. The three most common funding methods are:

- property value taxes,
- user fees and charges, and
- parcel taxes.

Cost-Sharing or Allocation

If local governments choose to use property tax revenues as a method of cost-recovery, they must also develop a system for sharing costs between the partners. The default method of cost allocation is based on the converted assessment of each jurisdiction. However, local governments have other options they could use, such as:

- alternative tax bases (improvements only, residential only, non-residential only),
- population measures (total, specific demographics),
- quantity of service used (water volume used, number of arena users in a jurisdiction),
- quantity of service provided (length of sewer mains, km of transit routes),
- cost of service provided (subsidy per transit km),
- fixed proportions, and
- any combination of above methods.

Converted assessment is the *Local Government Act*'s default mechanism for cost-sharing. Because it applies a uniform tax rate throughout a service area, it is usually easier to implement than other cost allocation alternatives and is the most commonly used. Other methods tend to be used when participants want to link the tax contribution to the benefit received rather than to ability to pay. These methods make the most sense when the quantity, quality or cost of the service varies across the service area.

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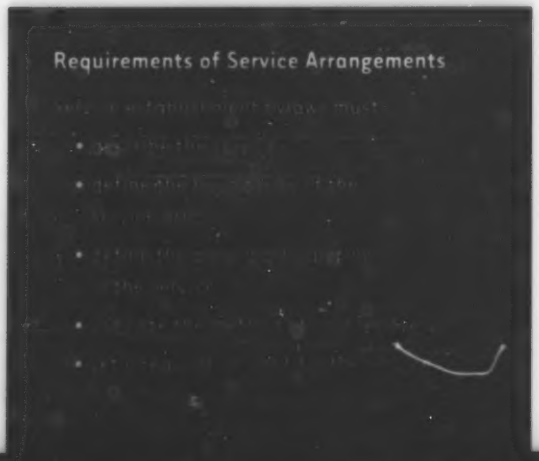

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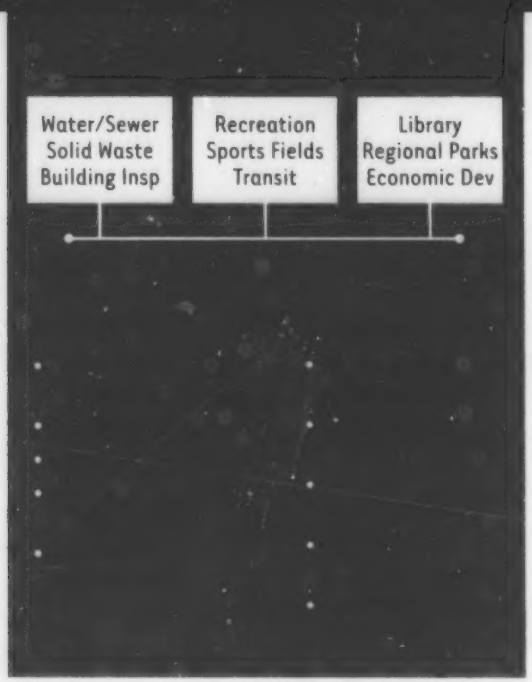

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Cost-Containment

To ensure that regional districts are accountable for services offered, service establishment bylaws must control the tax impacts by defining a limit to the service costs that can be recovered through taxation. This requirement does not apply to costs recovered through user fees, but partners can choose to include total cost limits in the service establishment bylaw if they wish.

Service Control

When a service is provided jointly, participants share control over its design and future direction. By trading off control for expected benefits, partners lose their sole influence over a service. They can sustain shared control over time only if the service design responds well to change and if all partners take part in decision-making.

Services are established by a full vote of the board of directors, in which each director gets one vote. There is no room to vary this default structure. However, for service administration and operation, the service partners can choose between using the default structure, in which service participants have a weighted vote linked to population levels, and tailoring the control structure to meet unique needs. If the partners choose to customize service administration and operation, they have the option to try innovative voting structures. Regardless, the partners can delegate service authority to others, such as a committee or commission.

Voting Structures

The *Local Government Act* gives partners significant control over designing voting structures for administration and operational decisions. They might choose:

Total equality

- All participants have an equal number of representatives.
- Control is not linked to population size, assessment base or level of land use.
- One partner is prevented from dominating.

Partial equality

- Each representative has one vote.
- Participants have an unequal number of representatives.
- If the number of representatives is linked to population, one jurisdiction may dominate.

Weighted vote by population

- Is the default structure for financial decisions.
- One participant may dominate.

Weighted vote by financial contribution

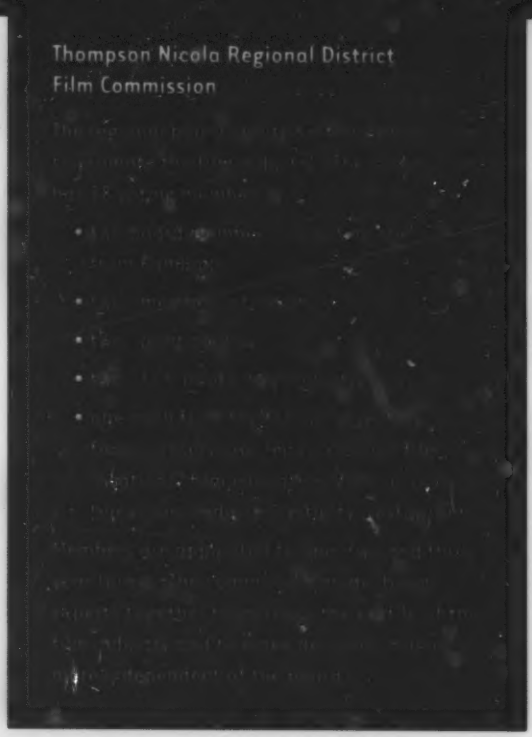
- Participants that provide more funds have a greater control over the service.
- Best used where the cost allocation pattern differs from the population distribution.

Delegation

The *Local Government Act* gives regional boards the authority to delegate control over the administration and operation of a service to a committee, commission or other management body established by the board. These bodies usually oversee a single service so that their energies are focussed on one issue. They can control resources, set targets, plan future activities, administer contracts, and direct staff to reduce the board's workload. Membership is usually comprised of elected or non-elected representatives from jurisdictions participating in a service.

Standardized Service Arrangements

In practice, most regional service arrangements are relatively straightforward. They cover a single, well-defined service and are funded and governed by 'standard' mechanisms laid out in the *Local Government Act*. Usually, they are funded through property value taxes allocated among participating members on the basis of converted assessment. They are managed by the regional board using the default representation and voting rules.



Thompson Nicola Regional District
Film Commission

The reasons to choose standard arrangements include:

- simplest, most straightforward approach
- perceived as fair and equitable
- funding methods are consistent with the way collective responsibilities are funded in regional districts and municipalities
- avoids time-consuming negotiations on alternatives
- proven over time with no major problems.

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Thompson Nicola Regional District Film Commission

The regional board created a film commission to promote the film industry. The commission has 18 voting members:

- two board members, including one from Kamloops
- two - members at large
- two - print media
- two - film production industry
- one each from the following sectors: financial services, legal services, film locations, film education, film services, television, radio, hospitality, restaurant

Members are appointed to one, two and three year terms. The commission model brings experts together to increase the profile of the film industry and to make decision-making more independent of the board.

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Customized Service Arrangements

Some regional districts have developed customized service arrangements to address concerns that arise either prior to initiating a service or during its life. Two of the more typical innovations have been:

- Alternative cost-allocation instead of converted assessment
  - in proportion to use of service
  - using a combination of methods
- Delegation of service management
  - special committees or commissions widen the range of people involved in service management

There is no right way to structure a service. Regional boards will need to consider the following when deciding whether or not to customize a service arrangement:

- What is the nature of the service?
- Do economies of scale make it difficult to provide the service individually?
- What obligations will the service create?
- How will service levels vary, and how will costs be allocated as a result?
- Who benefits from the service?
- Can the service benefit be measured easily?
- What is the most suitable method of cost recovery?
- Can non-partners be excluded from the service to prevent 'free-riders'?
- What are the characteristics of participating communities?
- Are there wide differences in the population, urban character or non-residential tax base of participating communities?

Anticipating and Minimizing Tensions

Sometimes, partners become dissatisfied with the service either because of the quality of its delivery or because of changes in the needs of their community. Common causes of tension include:

- population growth;
- changed demand for services within a service area;
- 'free riders';
- lack of influence over a service;
- restrictive growth management policies;
- uneven economic performance among communities;
- changing assessment and inflexible cost-allocation formulas;
- unanticipated cost increases;
- dissatisfaction with service cost or quality; and
- inability to exit a service.

To address some of these tensions when designing service arrangements, it is advisable to:

- establish guiding principles;
- develop multi-year service plans that anticipate change;
- build in flexibility;
- schedule service review dates;
- build in triggers to prompt service reviews;
- define exit and entry conditions; and
- define a dispute resolution process.

Because service arrangements are partnerships based on mutual interests, they do not need to be designed down to every last detail. Service arrangements are not contracts that need to anticipate every possible eventuality. Because they are set within established governance structures, many issues can be debated and decided as they arise to resolve tensions.

Review and Withdrawal Provisions

Under the *Local Government Act*, any service participant can initiate a review of an existing regional service arrangement. To do so, they must have been partners in the service for five years, unless the service arrangement makes other provisions. The service review process is discussed in the booklet, *Regional Service Reviews: An Introduction*. The *Act* also allows the withdrawal of participants from established service arrangements for some types of services. These provisions will be discussed in the planned booklet *Regional Service Withdrawal: An Introduction*.

Conclusion

With the flexibility provided by the *Local Government Act*, a regional district can design fair and durable service arrangements that meet the needs of all its members. These service arrangements are the foundation needed for high quality, responsive services that stand the test of time.

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